

Grassley Calls for Cuts in Marginal Income Tax Rates

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today said cuts in marginal tax rates will build more fairness into federal income taxes and stimulate the economy. Grassley's comments came after a hearing at which experts endorsed marginal rate cuts as President Bush proposes.

“When we're cutting taxes, we should start with individual income taxes,” Grassley said. “First, that's only right because individuals are paying more than their fair share of taxes. Individual taxpayers built the tax surplus. As a result, individual taxpayers should get a refund. Second, cutting marginal tax rates will stimulate the economy. It's not enough to have tax cuts. We have to have the right kind of tax cuts.”

Grassley said the federal government's over-collection of individual taxes is well-documented. He said the Congressional Budget Office's January 2001 Report to Congress shows that in 1992, collections from individual income taxes were 7.7 percent of the gross domestic product. As of 2000, the percentage is an astronomical 10.2 percent of the gross domestic product, Grassley said. Individual income taxes now take up the largest share of the gross domestic product on record, even above the levels imposed during World War II.

Grassley said as further evidence that the current surpluses are borne by America's working men and women, corporate taxes during the past 10 years have increased from 1.6 percent of the gross domestic product to 2.1 percent. Estate taxes have remained essentially unchanged. Even with real gains in wages, which force people into higher tax brackets, individual taxpayers are the most deserving of tax relief, Grassley said.

Grassley said marginal rate cuts meet his principles for tax relief: efficiency, fairness and simplicity. Efficiency means that changes to the tax code must help grow the economy, Grassley said. Hearing witness Stephen Entin, president of the Institute for Research on the Economics of Taxation, said: “Left untreated, rising marginal tax rates would gradually slow the economic expansion.”

Fairness means addressing inequities in the tax code, Grassley said. Simplicity means reducing complexities such as arbitrary phase-outs of benefits, personal exemptions and deductions, he said.

“Whatever the Finance Committee decides on tax cuts, our actions have to make sense with respect to the principles of efficiency, fairness and simplicity,” Grassley said. “Marginal tax rate cuts pass every test with flying colors.”